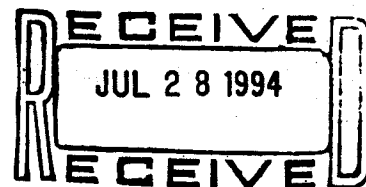


BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

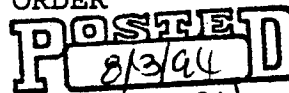
DOCKET NO. 94-390-E

S.C. PUBLIC SERVICE COMMISSION



In Re: Petition of SCE&G for)
 Inclusion Of the Purchase)
 Price Of Urquhart Internal)
 Combustion Unit #3 Into)
 Its Electric Utility Rate)
 Base)

PETITION FOR
A DECLARATORY
ORDER



South Carolina Electric & Gas Company ("SCE&G") hereby respectfully petitions the Commission pursuant to Regulation 103-836 of the Rules of South Carolina Public Service Commission and Section 58-27-180 of the Code of Laws of South Carolina, for a Declaratory Order valuing or re-valuing the property to be acquired by the utility. The property in question is Urquhart Internal Combustion Unit #3 which SCE&G is contemplating purchasing from Duke Power Company. In support of this Petition, South Carolina Electric & Gas Company would show the following:

1. South Carolina Electric & Gas Company has entered into an agreement with Duke Power Company to purchase Internal Combustion Unit #3 located at Urquhart Station; Aiken County, South Carolina. Included in the purchase is the turbine, generator, associated auxiliary electric equipment, station service transformer, on-site warehouse, a one million gallon oil tank and the fuel inventory at time of purchase (the "Unit").

2. The purchase price of the Unit is \$1.1 million. Its nameplate capacity is 15 MW and its reliable summer generating

ACCEPTED

Adm. Cur B 8/3/94
Legal 1000 8/3/94
Util. 8-5-94
Trans. 8-5-94

capacity is 12 MW.

3. The Unit was built by Duke in 1969 and has been part of Duke's supply portfolio since that time. It has been operated and maintained by SCE&G under contract with Duke since construction.

4. The Unit was refurbished in 1973 after 6,900 hours of operation. Since that time, it has operated 1,175 hours without major problems. The Unit received a combustor inspection in the Fall of 1993 and no problems were detected.

5. For planning purposes, SCE&G has assumed the need to spend \$500,000 for refurbishing of the Unit if acquired. Based on operating experience with units of similar make and vintage, the turbine disks in the Unit may require replacement at some point in the future. The refurbishment cost of \$500,000 is a reasonable engineering estimate of the cost of turbine disk replacement. Actual cost may vary.

6. SCE&G is informed and believes that the Unit is fully depreciated on the books of Duke Power Company and the applicable account contains a negative salvage value. The contract for the purchase of the Unit is conditional upon SCE&G's receipt of Commission approval to place the full purchase price of the Unit into its electric utility rate base for rate making purposes.

7. SCE&G proposes to book an acquisition adjustment equal to the difference between the purchase price and the plant in service and reserves on Duke's books in accordance with FERC's Uniform System of Accounts as prescribed and adopted by the

Commission. SCE&G will file the actual accounting entries with the Commission when the transaction is completed.

8. Based on a 7 year amortization of SCE&G's estimated \$1.6 million net investment in the Unit (assuming disk replacement is required), the cost of the Unit per kw/year will be significantly less than the price of capacity in a new unit comparable to the internal combustion turbine unit installed at Plant Hagood in 1993. That cost is significantly less than capacity recently purchased off-system. Attached as Exhibit A is a comparison of the capacity cost of the Unit to other sources of similar capacity.

9. Immediately upon completion of the transaction, the Unit will provide SCE&G with generating reserves that are used and useful in providing reliable electric service to its customers. The impact of the purchase on SCE&G's supply side plan is shown as Exhibit B. The exhibit shows that even with the purchase SCE&G is operating at or below a 20% reserve margin through the year 2013. Exhibit B is a revision of Table IV-1 of SCE&G's 1994 Short Term Action Plan.

WHEREFORE, SCE&G seeks a Declaratory Order,

1. Approving the purchase of the Urquhart Internal Combustion Unit #3 from Duke Power Company for the purchase price of \$1.1 million;

2. Authorizing SCE&G to include the Unit in its rate base for electric utility operations with an acquisition adjustment sufficient to create a net increase in rate base equal to the


full purchase price; and

3. Such other, further, or different relief as the Commission may find justified in the premises.

The name and address of South Carolina Electric & Gas Company, and of its authorized representative, is set forth below.

Respectfully submitted,

Belton T. Zeigler
James Patrick Hudson
Attorneys for Petitioner

By: 
South Carolina Electric
& Gas Company
Columbia, South Carolina 29218
(803) 748-3477

Columbia, South Carolina

June 28, 1994

SOUTH CAROLINA ELECTRIC & GAS COMPANY

TURBINE PURCHASE

<u>HAGOOD</u> <u>TURBINE</u> <u>@12/31/93</u>	<u>URQUHART</u> <u>TURBINE</u>
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INSTALLED CAPACITY COST

COST PER KW OF INSTALLED SUMMER CAPABILITY	\$405	\$129
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REVENUE REQUIREMENT PER KW

GROSS PLANT	\$38,482,464	\$1,545,613
DEPRECIATION RESERVE	<u>\$3,569,185</u>	<u>\$0</u>
NET PLANT	\$34,913,279	\$1,545,613
REVENUE FACTOR	<u>0.1332</u>	<u>0.1332</u>
REVENUE REQUIREMENT	\$4,650,449	\$205,876
O & M	\$437,277	\$110,080
DEPRECIATION EXPENSE	<u>\$1,531,200</u>	<u>\$214,300</u>
TOTAL REVENUE REQUIREMENT	\$6,618,926	\$530,256
NET PLANT KW CAPABILITY (SUMMER)	95,000	12,000
REVENUE REQUIREMENT PER KW	\$69.67	\$44.19

CAPITAL INVESTMENT

TOTAL VALUE OF PURCHASE	\$1,100,000
REFURBISHMENT COST	\$500,000
LESS: COST OF #2 OIL (1)	<u>\$54,387</u>
BALANCE TO CAPITAL ACCOUNTS	<u>\$1,545,613</u>

(1) PURCHASE PRICE INCLUDES 95,500 GALLONS OF #2 OIL @ \$.5695/ GALLON. PRICE PER GALLON BASED ON THE JOURNAL OF COMMERCE (6/27/94) AMERADA HESS.POSTING AT CHARLESTON,SC. (ACTUAL GALLONS AND PRICE WILL BE DETERMINED AT THE TIME OF PURCHASE.)

REVISED
TABLE IV-1

Supply-Side of the 1994 Budget Expansion Plan
Adding the #3 ICT at Urquhart

CAPACITY CHANGES

YEAR	PEAK (MW)	ONE YEAR (MW)	LONG TERM (MW)	DESCRIPTION	CAPACITY (MW)	RESERVE MARGIN
1994	3,470	100		CP&L LIMITED TERM PURCHASE	3,974	14.52%
			-2	WILLIAMS COOLING TOWER		
			12	URQUHART #3 ICT		
1995	3,517	0-250	3	4 MONTH LIMITED TERM PURCHASE	3,877	10.2-17.3%
				VCSN STEAM GENERATOR	(MIN.)	
1996	3,567		385	COPE PULVERIZED COAL UNIT	4,299	20.52%
			37	VCSN UPRATE		
1997	3,626				4,299	18.56%
1998	3,676		99	ICT	4,398	19.64%
1999	3,728				4,398	17.97%
2000	3,787		99	ICT	4,497	18.75%
2001	3,846		99	ICT	4,596	19.50%
2002	3,906				4,596	17.67%
2003	3,970		99	ICT	4,695	18.26%
2004	4,029		99	ICT	4,794	18.99%
2005	4,085				4,794	17.36%
2006	4,147	100		4 MONTH LIMITED TERM PURCHASE	4,894	18.01%
2007	4,218	200		4 MONTH LIMITED TERM PURCHASE	4,994	18.40%
2008	4,286		300	PULVERIZED COAL UNIT	5,094	18.85%
2009	4,346		99	ICT	5,193	19.49%
2010	4,417				5,193	17.57%
2011	4,490	100		4 MONTH LIMITED TERM PURCHASE	5,293	17.88%
2012	4,574	200		4 MONTH LIMITED TERM PURCHASE	5,393	17.91%
2013	4,658		300	PULVERIZED COAL UNIT	5,493	17.93%

Shading marks a resource that may be shifted out one year.

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

CERTIFICATE OF SERVICE BY MAIL


I hereby certify that I am secretary to the attorney for South Carolina Electric & Gas Company and that on the 28th day of July, 1994 in accordance with the Statutory Law of South Carolina, I made due and proper service of the attached Petition For A Declaratory Order upon the attorneys for Duke Power Company by depositing a true copy thereof in the United States Mail at Columbia, South Carolina, in an envelope with adequate first-class postage duly affixed and a return address clearly indicated thereon and addressed to:

Mary Lynne Grigg, Attorney
Steve C. Griffith, Jr., Esquire
William Larry Porter, Esquire
Duke Power Company
422 South Church Street (PB05E)
Charlotte, NC 28242-0001

William F. Austin, Esquire
The Austin Firm
P.O. Box 12396
Columbia, SC 29211

Nancy Coombs, Esquire
SC Department of Consumer Affairs
P.O. Box 5757
Columbia, SC 29250-5757

David Butler, Esquire
SC Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211


Marcia R. Stewart
Secretary to James Patrick Hudson

Columbia, South Carolina
July 28, 1994.